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Treasury for Levey, Glaser, Fowler
NSC for Tobey, Stephens, Herro

E.O. 12958: DECL: 1/11/17
TAGS: [EFIN](#) [PARM](#) [PGOV](#) [ETTC](#) [UNSC](#) [FR](#)
SUBJECT: FRENCH AND G7/EU REACTIONS TO ADDITIONAL IRAN
DESIGNATIONS UNDER EO 13382

REFS: A) STATE 2284

- B) Rome 47
- C) Berlin 47
- D) London 104

Classified by Econ M/C Thomas J. White, Reasons 1.4 b and d

11. (S) SUMMARY: France appreciated early notice of the US decision to designate domestically Bank Sepah delivered per ref A, but will probably defer to the EU for any possible further action against the bank, since it lacks independent national authority on proliferation matters. Separately, France hosted on January 10 an experts-level meeting with G7 partners and the EU on WMD proliferation finance, where experts discussed Bank Sepah and weighed next steps. END SUMMARY.

BILATERAL REACTION

12. (U) We delivered ref A demarche as requested on January 9 to David Bertolotti at the MFA's nonproliferation office; as well as to the Ministry of Finance to Karine Segura, Office Director for Asset Controls, and Stephanie Talbot, special advisor for G7 issues.

13. (S) Bertolotti confirmed France had received notice through its Embassy in Washington the day before. His initial reaction was to note that France is not surprised about Bank Sepah, as officials have been aware of its activities. In response to our request that France consider similar action, Bertolotti observed that France does not have legal tools equivalent to EO 13882 available for such an action. Without making any commitments, he concluded EU-level action is a possibility, but promised France would continue to study the issue.

14. (S) In advance of the G7 meeting on January 10, Talbot also told us that she does not think France would be in a position to follow the US lead. She said the GOF does not have any evidence that the Paris branch of the bank had been involved in questionable activities. Absent any "proof," the GOF likely could not take action. She did note that the US Treasury designation would have repercussions on the activities of the Paris branch of the bank, since other financial institutions would have taken note of our actions and may reconsider their own dealings with Bank Sepah.

¶5. (S) We also delivered on January 11 a reinforcing message from U/S Nick Burns to French MFA Political Director Gerard Araud that "such designations are a necessary way to implement effectively UNSCR 1737," along with a copy of Treasury's press announcement of January 9.

G7 AND EU REACTION

¶6. (S) Concurrently, France hosted on January 10 an experts-level meeting with G7 partners and the EU on WMD proliferation finance, led on the US side by Treasury DAS Daniel Glaser. Bank Sepah figured prominently among the discussion topics (other details to be reported septel). The USDEL said the US view is that the Treasury designation of Bank Sepah implements UN Security Council Resolution 1737, which refers to "necessary measures to prevent to provision to Iran of any . . . financial assistance, investment, brokering or other service".

¶7. (S) The German delegation, led by Helmut Hoffman from the MFA and Ursina Krumpholz from the Ministry of Industry, wondered about the wisdom of the US targeting entire banks, and even allowing that the designation is not punitive but designed to change behavior, questioned how, as a practical matter, a bank might be able to demonstrate change if all its assets were frozen.

¶8. (S) The Canadian delegation, led by Jane Pearse from the Department of Finance and Michael Blackmore from DFAIT's Nuclear Non-Proliferation Division, noted that Canadian law only allows for designations of individuals or entities, not the prevention of transactions, so it would be impossible for Canada to take further action until the UNSC makes additional designations.

¶9. (S) The EU delegation, led by Andreas Strub from the
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European Council and Bruno Dupre from the Commission (DG Relex), noted that the focus of the Commission has been on raising awareness in the anti-money laundering/terror finance area, and it is open to proposals from member states. However, it hopes to avoid grey zones that lead to de facto bans on doing business entirely.

¶10. (S) Italy, led by Filippo Formica from the MFA, commented that it had prepared a circular to its banks to raise the awareness of banks to doing business with Iran. It was a short note focusing on the nature of the problem which, responding to a question from Canada, does not include a definition of what constitutes proliferation finance. The USDEL praised the Italian initiative, saying it is a good example of steps that can be taken even in advance of domestic legal authority.

¶11. (S) The French delegation, led by Phillipe Errera from the French MFA and Corso Bavagnoli from the French Ministry of Finance, welcomed the update from the USDEL, and suggested the European Commission should get input bilaterally from the member states on next steps.

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